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FROM: Wendy L. Watanabe *Wendy L. Watanabe*
Acting Auditor-Controller

SUBJECT: **CEDARS-SINAI MEDICAL CENTER CONTRACT REVIEW - A
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of Cedars-Sinai Medical Center (Cedars-Sinai or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with Cedars-Sinai, a private non-profit community-based organization that provides services to clients in Service Planning Area 4. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Third District.

Our review focused on approved Medi-Cal billings. DMH paid Cedars-Sinai between \$1.95 and \$4.65 per minute of staff time (\$117.00 to \$279.00 per hour) for services. Cedars-Sinai was reimbursed for their actual costs reported at year-end up to the maximum contract amount of approximately \$1.4 million for Fiscal Year (FY) 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether Cedars-Sinai complied with its contract terms and appropriately accounted for and spent DMH funds providing the services outlined in their County contract. We also evaluated the adequacy of the

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Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff and clients.

Results of Review

Staff assigned to the County contract possessed the required qualifications. In addition, the program participants interviewed stated that the services they received from the Agency met their expectations. However, the Agency did not maintain documentation to support 17% of the service minutes billed. The undocumented services totaled \$1,710. The Agency also did not always complete Assessments, Client Plans, Progress Notes and Informed Consent in accordance with the County contract.

In addition, the Agency billed DMH for 100% of its mental health program expenditures even though their mental health program also served non-DMH clients. The amount billed for FY 2006-07 totaled approximately \$1.6 million. Subsequent to our review, the Agency submitted a revised Cost Report to DMH that reduced the total costs to approximately \$1.2 million. However, Cedars-Sinai was not overpaid since DMH reimbursed the Agency only \$840,000, which reflected the state maximum amount per unit of service.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with Cedars-Sinai on April 16, 2008. In their attached response, the Agency agreed with our findings and recommendations and described the corrective actions they are taking to address the recommendations in our report.

We thank Cedars-Sinai management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Thomas M. Priselac, President & CEO, Cedars-Sinai Medical Center
Linda Procci, Vice President Medicine and Surgery, Cedars-Sinai Medical Center
Public Information Office
Audit Committee

**CONTRACT COMPLIANCE REVIEW
CEDARS-SINAI MEDICAL CENTER
FISCAL YEAR 2006-07**

BILLED SERVICES

Objective

Determine whether Cedars-Sinai Medical Center (Cedars-Sinai or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 40 billings totaling 3,785 (8%) minutes from 47,895 service minutes of approved Medi-Cal billings for May and June 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 3,785 minutes represent services provided to 20 program participants.

Results

Cedars-Sinai did not adequately document 650 (17%) of the 3,785 service minutes billed to DMH. The undocumented billings totaled \$1,710. Specifically:

- The Agency billed DMH for 450 minutes for Mental Health Services provided in a group setting, in which the Agency did not prorate staff time between group participants.
- The Agency could not provide documentation to support 200 minutes billed.

The Agency also did not always complete Assessments, Client Plans, Progress Notes and Informed Consent in accordance with the County contract requirements.

Assessments

Cedars-Sinai did not complete Assessments for 9 (45%) of 20 clients sampled in accordance with the County contract. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. Specifically:

- The Agency did not prepare annual assessments for five of the clients sampled. At the time of our review, the Assessments were an average of 2.5 years old. The County contract requires agencies to assess clients' needs annually to ensure that services continue to be necessary.

- Four Assessments did not adequately describe the symptoms and behaviors exhibited by the client to support the Agency's clinical diagnosis. The County contract requires agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them.
- One Assessment did not contain a diagnosis.

The number of incomplete Assessments in the examples above exceeds the overall number of Assessments reviewed because one Assessment contained more than one deficiency.

Client Care Plans

Cedars-Sinai did not complete the Client Care Plans in accordance with the County contract for 19 (95%) of 20 clients sampled. Specifically:

- Seven charts did not contain Client Care Plans.
- Eight Client Care Plans did not contain goals and planned interventions for each type of treatment provided.
- Seven Client Care Plans did not contain the clients' signatures or written explanations of the clients' refusals or unavailability to sign the plans.
- Four Client Care Plans contained goals that were not observable and/or quantifiable.
- One Client Care Plan contained goals that did not relate to the client's needs identified in the Assessment.

The number of incomplete Client Care Plans in the examples above exceeds the overall number of Client Care Plans reviewed because some of the Client Care Plans contained more than one deficiency.

Progress Notes

The Agency did not complete eight of (20%) of the 40 Progress Notes reviewed in accordance with the County Contract. Specifically:

- Six Progress Notes did not indicate the duration of service.
- Two Progress Notes did not describe what the client or service staff attempted and/or accomplished towards the clients' goals.

- One Progress Note reviewed for Medication Support Services did not indicate that the client was questioned about side effects, response to medication and medication compliance.

The number of incomplete Progress Notes in the examples above exceeds the overall number of Progress Notes reviewed because some of the Progress Notes contained more than one deficiency.

Informed Consent

Cedars-Sinai did not document Informed Consent in the client's chart for one (13%) of eight clients sampled, in which the client received treatment with psychotropic medication. Informed Consent is the client's agreement to a proposed course of treatment based on receiving clear, understandable information about the treatments' potential benefits and risks.

Recommendations

Cedars-Sinai management:

1. **Repay DMH \$1,710.**
2. **Maintain documentation to support the service minutes billed.**
3. **Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**
4. **Ensure that Informed Consent is documented in the client's chart prior to treatment with psychotropic medication.**

CLIENT VERIFICATION

Objectives

Determine whether the program clients received the services that Cedars-Sinai billed DMH.

Verification

We interviewed eight participants that the Agency billed DMH for services during May and June 2007.

Results

The eight program participants interviewed stated that the services received from the Agency met their expectations.

Recommendation

There are no recommendations for this section.

STAFFING LEVELS**Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section as the Agency did not provide services that require staffing ratios for this particular program.

STAFFING QUALIFICATIONS**Objective**

Determine whether Cedars-Sinai's treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 11 of the 37 Cedars-Sinai treatment staff who provided services to DMH clients during May and June 2007.

Results

Each employee in our sample possessed the qualifications required to deliver the services billed.

Recommendation

There are no recommendations for this section.

SERVICE LEVELS**Objective**

Determine whether Cedars-Sinai's reported service levels varied significantly from the service levels identified in the DMH contract.

We did not perform test work in this area as DMH's contract with Cedars-Sinai did not specify the required service levels for each type of service provided for FY 2006-07.

CASH / REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash and other liquid assets.

Verification

We interviewed Agency management and reviewed the Agency's accounting records. We also reviewed the Agency's December 2007 bank reconciliation for the account that contains DMH program funds.

Results

Cedars-Sinai properly prepared monthly bank reconciliations. However, the Agency needs to strengthen their internal controls over cash. Specifically:

- As of March 12, 2008, two (50%) of the four DMH revenue payments from September through December 2007 were not received or cashed. Management could not explain what happened to the missing revenue payments.
- Agency staff do not review accounts receivable from DMH to detect missing payments in a timely manner.
- Checks received in the mail were not restrictively endorsed, logged upon receipt or reconciled to the deposits.
- Mail was not opened in the presence of two staff.

Recommendations**Cedars-Sinai management:**

5. **Submit an affidavit to DMH indicating that the checks were not received or are missing so that DMH can place stop payments on the missing checks and issue replacements.**
6. **Establish adequate internal controls over cash receipts.**
7. **Monitor their accounts receivables.**

COST ALLOCATION PLAN

Objective

Determine whether Cedars-Sinai's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cedars-Sinai's Cost Allocation Plan, interviewed management and reviewed supporting documentation to ensure that the expenditures were properly allocated to the Agency's program.

Results

Cedars-Sinai did not have a written Cost Allocation Plan. The Agency billed DMH for 100% of their outpatient mental health program expenditures during FY 2006-07. However, 993 (76%) of 1,310 clients served by the program during FY 2006-07 were non-DMH clients. The total amount billed to DMH was \$1,592,374.

Subsequent to our review, the Agency submitted a revised Cost Report to DMH that reduced the total costs billed to DMH by \$397,840 to \$1,194,534. However, Cedars-Sinai was not overpaid since DMH reimbursed the Agency only \$840,000, which reflected the State maximum amount per unit of service.

Recommendations

Cedars-Sinai management:

8. **Develop a detailed and equitable Cost Allocation Plan and allocate costs on a monthly basis in accordance with the Plan.**
9. **Ensure that non-DMH costs are excluded from the expenditures billed to DMH.**

EXPENDITURES

Objective

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed to DMH.

As stated above, the Agency billed DMH for 100% of the outpatient mental health program expenditures during FY 2006-07. Therefore, we did not perform test work in this section.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether fixed assets and equipment costs billed to DMH were used by the DMH program and were adequately safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment listing.

Results

Cedars-Sinai could not provide documentation to support \$1,146 (9%) of the \$12,174 allocated to DMH for fixed assets and equipment expenditures. Furthermore, the Agency's listing of fixed assets and equipment did not include the assigned individual.

Subsequent to our review, the Agency submitted a revised Cost Report to DMH that omitted the \$12,174 allocated to DMH for fixed assets and equipment expenditures.

Recommendations**Cedars-Sinai management:**

10. Ensure that fixed assets and equipment costs billed to DMH are adequately supported.
11. Ensure that the fixed assets and equipment listing includes the assigned individual.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures are appropriately billed to DMH.

Verification

We interviewed Agency staff and reviewed the Agency's payroll records and time reports.

Results

As previously mentioned, the Agency billed DMH for 100% of the outpatient mental health program expenditures including payroll during FY 2006-07 even though the program also serves non-DMH clients. In addition, the Agency did not maintain time

reports to support payroll expenditures for interns that were paid based on the number of hours worked each week.

Recommendations

See Recommendation #8.

- 12. Cedars-Sinai management ensure that payroll expenditures billed to DMH are adequately supported.**

COST REPORT

Objective

Determine whether Cedars-Sinai's FY 2006-07 Cost Report reconciled to the Agency's financial records.

Verification

We traced the Agency's FY 2006-07 Cost Report to the Agency's general ledger.

Results

Cedars-Sinai's total DMH costs listed on the Cost Report reconciled to the Agency's accounting records. However, as previously indicated, the Agency billed DMH for non-DMH expenditures.

Recommendations

See Recommendations 8 and 9.



CEDARS-SINAI MEDICAL CENTER.

Department of Psychiatry & Behavioral Neurosciences
Child and Family Division

DMH Contract Compliance Review
June 9, 2008

Billed Services

Action Plan:

Cedars Sinai Medical Center agrees with the DMH Contract Compliance Review of October 31, 2007 and will return \$1,710 in over payments:

- Further education regarding DMH billing has been provided to staff.
- All staff are now utilizing the DHM group documentation form.
- Two staff who had particular difficulties with the billing process were counseled.

Cash Revenue

Action Plan:

- Cedars-Sinai will submit an affidavit to DMH indicating that the checks were not received or are missing so that DMH can place stop payments on the missing checks and issue replacements.
- Existing internal controls will be reviewed and monitored to ensure that all DMH revenue is deposited and recorded in a timely manner and DMH accounts receivables are reconciled.

Cost Allocation Plan

Action Plan:

- Procedures will be implemented so that employee time records will be maintained and submitted to Management on a regular basis. This information will be compiled and submitted to Finance for the cost report.
- A revised cost report was submitted to DMH on November 21, 2007. Said cost report reflects corrected DMH expenses of \$1,194,534.

Fixed Assets and Equipment

Action Plan:

- Based on our fixed asset listing, equipment cost related to the DMH program is identifiable and amounts to \$11,028 in FY 2006-07. A copy of the fixed asset listing and detailed general ledger analysis was provided to DMH on April 16th.
- In future cost report submissions, equipment expense will be adjusted to the fixed asset listing. Furthermore, assigned individual use of equipment will be determined via a physical inventory.

Payroll and Personnel

Action Plan:

- Cedars Sinai submitted an updated cost report that accurately reflects the staffing expenses.
- Cedars Sinai now tracks staff time spend with DMH services versus non DMH related services. This is done on a monthly basis. This will allow us to know exactly what percentage of time and expense is billed to DMH.

Cost Report

Action Plan:

- See Action Plan for Fixed Assets and Equipment & Payroll and Personnel.

Linda Procci, PhD.
Vice President
Service Line Operations

Linda Procci PhD

Date: 6/9/08